

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:)	
)	
ALLEGED VIOLATIONS OF TENN. CODE ANN. § 65-4-120 (2004) AND RULES OF THE)	
TENNESSEE REGULATORY AUTHORITY,)	DOCKET NO. 05-00150
CHAPTERS 1220-4-5-.08 AND 1220-4-5-.09 BY:)	
)	
ATMOS ENERGY CORPORATION)	

SETTLEMENT AGREEMENT

This Settlement Agreement has been entered into between the Consumer Services Division ("CSD") of the Tennessee Regulatory Authority ("Authority" or "TRA") and Atmos Energy Corporation ("Atmos" or "the Company") and is subject to the approval of the Directors of the TRA.

I. FACTUAL BACKGROUND.

In May 2004, Atmos contracted with the Bush Meter Reading Company to assume regular meter reading duties for 21,000 of the Company's meters in the Murfreesboro area. The Bush Meter Reading Company assigned Atmos three of its meter-readers, and those individuals were trained by Atmos and began reading meters around June 2004.

In late November 2004, Atmos' internal system controls revealed problems with some of the meter readings from the Bush Meter Reading Company. Atmos' investigation revealed that two Bush Meter Reading Company employees had falsified readings by utilizing the previous month's information from the handheld meter reading device rather than actually reading the

customers' meters. A total of 14,055 customers may have received erroneous meter readings between August 2004 and December 2004. In addition, the falsified reads, based on the false information, failed to account for increased gas consumption as the weather turned colder into the fall of 2004. As a result, when those customers' accounts were trued-up, they received bills that were larger than usual in December, January, and February. Because Atmos' Purchased Gas Adjustment (PGA) remained unchanged from October 2004 through March 2005, all bills during the affected time period were at the same gas cost rate.

In December 2004, Bush Meter Reading Company terminated the employees responsible for the falsified meter readings. Atmos has terminated its contract with Bush Meter Reading Company and will resume reading all meters with Atmos employees.

Atmos notified the CSD of the customer billing problem on January 20, 2005. In response to the CSD's concern regarding the possibility that customers would incur late fees as a result of the larger than usual bills, Atmos removed all late fees from the account of all 14,055 customers who may have been affected.

Atmos also contacted the customers most significantly impacted, including setting up individual appointments with customers to discuss billing concerns. Through the media customers were notified to contact Atmos if they had questions about their bills and were advised that payment arrangements would be made available. On March 18, 2005, Atmos mailed an apology letter to each of the 14,055 customers. Atmos ultimately granted 1,247 extended payment arrangements to customers during the relevant time period.

Between January 28, 2005 and April 7, 2005, the CSD and Atmos received a number of high bill complaints from Atmos customers in Rutherford and Williamson counties. The Authority received a total of 34 complaints regarding the matter, while Atmos received 542

complaints. For each of the high bill complaints received by the CSD or Atmos, Atmos sent a service technician to read and check the customer's meter and meet with the customer in person to discuss the bills in question.

After receiving notice from Atmos of the errors and consumer complaints, the CSD began an investigation and contacted representatives of Atmos to discuss the issue. During these conversations and at subsequent meetings Atmos provided the CSD with information concerning the nature and scope of the problem and the results of the Company's internal investigation. Subsequently, discussions ensued between the CSD and Atmos regarding the steps Atmos would take to ensure compliance with Authority Rules 1220-4-5-.08 and 1220-4-5-.09 which govern the practices of Gas Utility Companies.

TRA Rule 1220-4-5-.08 states:

METER READING SHEETS OR CARDS. The meter reading sheets or cards shall show:

- (a) Customer's name, addresses, and rate schedule.
- (b) Identifying number and/or description of the meter(s).
- (c) Meter readings.
- (d) If the reading has been estimated.
- (e) Any applicable multiplier or constant.

Additionally, Rule 1220-4-5-.09 states:

METER READING INTERVAL. Meters shall be read monthly, except that authority may be obtained from the Authority for reading the meters at other than monthly intervals. As nearly as practicable, utilities shall avoid sending a customer two successive estimated bills.

Lastly, Tenn. Code Ann. § 65-4-120 (2004) states:

Penalty for noncompliance with authority. Any public utility which violates or fails to comply with any lawful order, judgment, finding, rule, or requirement of the authority, shall in the discretion of the authority be subject to a penalty of fifty dollars (\$50) for each day of any such violation or failure, which may be declared due and payable by the authority, upon complaint, and after hearing, and when paid, either voluntarily, or after suit, which may be brought by the authority, shall be placed to the credit of the public utility account.

In an effort to resolve all of the complaints referenced above and ensure company compliance with TRA Rules 1220-4-5-.08 and .09, the CSD and Atmos agree to settle this matter based upon the following acknowledgements and terms subject to approval by the Directors of the TRA:

1. Atmos neither admits nor denies that the above-referenced complaints are true and valid complaints or that its actions constitute violations of Tenn. Comp. R. & Regs. 1220-4-5-.08 and Tenn. Comp. R. & Regs. 1220-4-5-.09. As part of the consideration for this settlement agreement, Atmos has agreed not to contest the complaints.

2. Atmos agrees to make a payment of \$25,000 in settlement of this matter and agrees to remit that amount to the Office of the Chairman of the TRA no later than thirty (30) days following the approval of this Settlement Agreement by the TRA Directors.

3. In addition to the payment set forth in Paragraph 2 above, Atmos agrees to make a \$15,000 contribution, after consultation with the CSD, to community organizations such as Warm Neighbors that assist Murfreesboro area residents in paying their gas bills.

4. Atmos agrees to notify the CSD in advance if it decides to contract out its meter reading function. Atmos agrees to develop heightened procedures to verify the accuracy of meter readings by independent contractors, should it decide to enter into such contracts in the future. Those procedures may include spot audits of readings, having readings periodically verified by Atmos personnel, and rotating the routes read by each meter reader on a periodic basis. Should Atmos decided to utilize independent contractors for meter reading, Atmos agrees to deliver to the TRA, for Authority approval, a written copy of the heightened procedures it proposes to utilize with regard to the independent contractor meter readers before the independent contractors begin the meter reading. Atmos agrees to provide reports reflecting the

independent contractor's compliance with the heightened procedures to the TRA every 6 (six) months during the term of any meter reading contract the Company may enter into in the future.

5. Atmos agrees to comply with all the statutory and regulatory requirements of the TRA, and in the event that Atmos merges or consolidates with or transfers its assets to another firm, corporation or entity, Atmos or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement. Atmos shall so notify the CSD no less than ten (10) days prior to the completion of such transaction.

6. Atmos agrees that a company representative will attend in person the Authority Conference during which the Directors consider this Settlement Agreement.

7. Compliance with all terms and conditions of this Settlement Agreement by Atmos shall be deemed a full release, accord and satisfaction of all liability for the aforementioned outstanding issues and Atmos shall be excused from further proceedings in this matter.

8. In the event that Atmos fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to re-open this docket. Atmos shall pay any and all costs incurred by the TRA in the future to enforce compliance with the Settlement Agreement.

9. This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement that are not fully expressed herein or attached hereto

10. If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this

Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein

Eddie Roberson / gdc

Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

June 2, 2005
Date

M Kelly

Signature

Misty Smith Kelley

Print Name

Attorney

Print Title

Atmos Energy Corporation

May 31, 2005
Date